

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

RICHTEK TECHNOLOGY
CORPORATION and RICHTEK USA, INC.,

Plaintiffs,

v.

UPI SEMICONDUCTOR
CORPORATION, *et al.*,

Defendants.

No. C 09-05659 WHA

**ORDER GRANTING
MOTIONS TO DISMISS
FOR LACK OF SUBJECT-
MATTER JURISDICTION
AND LACK OF PERSONAL
JURISDICTION AND
DENYING AS MOOT
MOTIONS TO DISMISS
FOR IMPROPER VENUE
AND LACK OF STANDING**

INTRODUCTION

In this action involving claims for patent infringement, copyright infringement, trade secret misappropriation, and breach of contract, various groups of defendants move to dismiss various claims on several different grounds. This order dismisses all non-federal claims for lack of subject-matter jurisdiction and dismisses all claims against fourteen Taiwanese individual defendants for lack of personal jurisdiction.

STATEMENT

The operative complaint in this action was filed by the Taiwanese company Richtek Technology Corporation and its wholly-owned United States subsidiary, Richtek USA, Inc.. The complaint names seventeen individuals and five companies as defendants, and alleges seven claims for relief in total. All defendants are accused of infringing three patents (counts 1–3), infringing various copyrights (count 7), and misappropriating trade secrets (count 4) that belong

1 to plaintiffs. Additionally, the individual defendants who are former employees of plaintiff
2 Richtek Technology are accused of breaching two contracts (counts 5 and 6) — an “Acceptance
3 of Appointment” agreement signed when their employment with Richtek Technology began, and
4 a “Declaration of Leaving Duty Agreement” signed when their employment with Richtek
5 Technology was terminated (Dkt. No. 79).

6 To support their complaint, plaintiffs allege that the former Richtek Technology
7 employees, along with uPI Semiconductor Corporation and Powerchip Technology Corporation
8 (both Taiwanese companies), “devised a complex and elaborate scheme to steal, plunder, and
9 cart-away Richtek’s invaluable trade secret and confidential information” (*ibid.* ¶ 62). Using
10 proprietary documents and information stolen from their former employer in violation of their
11 employment and termination contracts, the individual defendants allegedly designed competing
12 power-management products that infringed plaintiffs’ intellectual property rights and were based
13 on plaintiffs’ trade secrets. Defendant uPI allegedly then developed and sold these products in
14 conjunction with other defendants. Plaintiffs claim that they have been injured by sales of these
15 products to customers located in California and the United States.

16 Sixteen of the seventeen individual defendants are citizens of Taiwan (*ibid.*). One
17 individual defendant, Ming Chen, is believed to be a citizen of Canada (*ibid.*). Based on their
18 sworn declarations, the fourteen individual defendants who bring the instant motions not only are
19 Taiwanese citizens but also worked in Taiwan or China for companies organized and existing
20 under the laws of Taiwan with their principal places of business in Taiwan at all relevant times
21 (Dkt No. 129). Four of the five corporate defendants are organized under the laws of Taiwan or
22 China and have their principal places of business in Taiwan or China (Dkt. No. 79). One
23 corporate defendant, Silicon Xtal Corp., is incorporated under the laws of California (*ibid.*).
24 Plaintiffs admit that they have filed civil, criminal, and injunctive lawsuits in Taiwan against a
25 subset of defendants in the instant action and also have obtained a consent decree from the United
26 States International Trade Commission against uPI (Dkt Nos. 169 at 5, 170 at 13).

27 Fourteen of the seventeen individual defendants move to dismiss all claims against them
28 based on lack of personal jurisdiction. This same group of fourteen individual defendants also

1 moves to dismiss the trade-secret-misappropriation and breach-of-contract claims based on
2 improper venue. Along with corporate defendants uPI, Sapphire Technology Limited, and
3 Silicon Xtal, these fourteen individual defendants move to dismiss the trade-secret-
4 misappropriation and breach-of-contract claims for lack of subject-matter jurisdiction. This same
5 group of seventeen defendants also moves to dismiss the patent infringement claims, the
6 copyright infringement claims, and the breach-of-contract claims for lack of standing as to
7 plaintiff Richtek USA. Defendant Powerchip and defendant Maxchip Electronics each have filed
8 joinders to the latter three motions. Additionally, Powerchip has filed its own motion to dismiss
9 for lack of personal jurisdiction, Maxchip has filed a motion to dismiss for failure to state a claim,
10 and Ming Chen has filed a motion to dismiss for failure to state a claim; these last three motions
11 are set for hearing in January 2011. Only two of the twenty-two defendants named in the third
12 amended complaint — individuals who allegedly have not yet been served or made an appearance
13 in this action — have not filed any motion to dismiss. This order follows full briefing and a
14 hearing on the merits.

15 ANALYSIS

16 Each of the four motions heard on December 23 will be addressed separately.

17 1. SUBJECT-MATTER JURISDICTION

18 Nineteen defendants — the fourteen Taiwanese individuals and three companies (uPI,
19 Sapphire, and Silicon Xtl) who filed the motion, plus the two companies (Maxchip and
20 Powerchip) who joined the motion — move to dismiss counts four, five, and six (the claims for
21 trade secret misappropriation and breach of contract) for lack of subject-matter jurisdiction (Dkt.
22 Nos. 122, 138, 162). This motion is **GRANTED**.

23 Plaintiffs claim that “[t]here is no dispute that this Court has original [federal question]
24 jurisdiction over Richtek’s patent and copyright claims” and that “Federal Statutes and case law
25 also support the court’s exercise of supplemental jurisdiction over Richtek’s Non-Federal Claims
26 of breach of contract and misappropriation of trade secrets” (Dkt. No. 170 at 4). A district court
27 may exercise supplemental jurisdiction over claims outside the original jurisdiction where the
28 claims “derive from a common nucleus of operative fact” and are “such that [a plaintiff] would

1 ordinarily be expected to try them all in one judicial proceeding.” *United Mine Workers of Am. v.*
2 *Gibbs*, 383 U.S. 715, 725 (1966). Because federal courts are courts of limited jurisdiction, “[i]t is
3 to be presumed that a cause lies outside this limited jurisdiction, and the burden of establishing
4 the contrary rests upon the party asserting jurisdiction.” *Kokkonen v. Guardian Life Ins. Co. of*
5 *Am.*, 511 U.S. 375, 377 (1994) (citations omitted).

6 Even if a court finds that it has supplemental jurisdiction over pendent claims, however,
7 the exercise of that jurisdiction is discretionary, not mandatory; the district court “may decline to
8 exercise supplemental jurisdiction over a claim” if “the claim substantially predominates over the
9 claim or claims over which the district court has original jurisdiction.” 28 U.S.C. 1367(c).
10 “[P]endent jurisdiction is a doctrine of discretion, not of plaintiff’s right.” *United Mine*
11 *Workers*, 383 U.S. at 726. In deciding the issue of subject-matter jurisdiction, the district court
12 may look to material external to the pleadings. *Asociacion of Am. Med. Colleges v. United*
13 *States*, 217 F.3d 770, 778–79 (9th Cir. 2000).

14 In this action, it is questionable whether plaintiffs have carried their burden of making a
15 prima facie showing of subject-matter jurisdiction over the breach-of-contract and trade-secret-
16 misappropriation claims. Even if such a showing had been made, however, exercising
17 jurisdiction over these claims would not be appropriate. The contract and trade secret claims
18 predominate over the infringement claims in the pleadings, and this predominance would only
19 grow more overwhelming if the Court undertook the nightmarish task of supervising foreign
20 discovery on the non-federal claims.

21 The relevant contracts are written in Chinese. The individuals who allegedly breached
22 them and misappropriated trade secrets are Taiwanese. The accused acts and omissions took
23 place while these individuals were living and working in Taiwan for Taiwanese companies or for
24 themselves. As a result, the witnesses and documents relevant to these claims are located in
25 Taiwan, and the vast majority of relevant documents are written in Chinese. Supervising
26 discovery over this body of evidence would be such a time- and resource-intensive undertaking
27
28

1 that the infringement portion of the action would be dwarfed by comparison. This observation
2 is compelled by prior experience and by the record that has been made on the instant motions
3 to dismiss.

4 At the hearing, plaintiffs cited a 2003 decision from the Third Circuit for the proposition
5 that exercising supplemental jurisdiction is appropriate where the same set of facts violates both
6 federal and state law. This decision recognized that supplemental jurisdiction may be appropriate
7 where “the same acts violate parallel federal and state laws” but also that district courts should
8 decline to exercise supplemental jurisdiction where the state claims predominate. Indeed, the
9 decision held that a district court had abused its discretion by exercising supplemental jurisdiction
10 over a state class claim where the state interest was “disproportionately high” compared to the
11 antecedent federal class action. *De Asencio v. Tyson Foods, Inc.*, 342 F.3d 301, 306–312
12 (3d Cir. 2003). Here, the state and federal laws in question are not parallel and were allegedly
13 violated by different acts committed in the course of defendants’ alleged scheme. And, moreover,
14 the state claims predominate for the reasons already explained.

15 Although plaintiffs make numerous attempts at identifying a common nucleus of operative
16 facts that would give rise to supplemental jurisdiction over the breach-of-contract and trade-
17 secret-misappropriation claims, it is unnecessary to decide whether they have carried their burden
18 of doing so. This order finds that the non-federal claims would substantially predominate over
19 infringement portion of the action and therefore declines to exercise any supplemental jurisdiction
20 that may exist over the non-federal claims. *See Taiwan Semiconductor*, 2004 WL 5212448,
21 at *5–8 (declining to exercise supplemental jurisdiction over claims for trade secret
22 misappropriation and unfair competition because they substantially predominate over the patent
23 claims). A more appropriate forum for these breach-of-contract and trade-secret-
24 misappropriation claims would be Taiwan — the forum designated in one of the allegedly
25 breached contracts as agreeable if not mandatory for such claims. (The parties disagree as to the
26 correct translation and interpretation of the forum-selection clause in the “Acceptance of
27 Appointment” agreement, including whether it is mandatory or permissive.)
28

1 **2. PERSONAL JURISDICTION**

2 Fourteen individual defendants — all of whom are citizens of Taiwan — move to dismiss
3 all claims against them based on lack of personal jurisdiction (Dkt. No. 121). This motion is
4 **GRANTED WITH PREJUDICE**. Plaintiffs may not attempt to cure the lack of personal jurisdiction
5 by filing an amended complaint.

6 **A. Legal Standards**

7 “For a court to exercise personal jurisdiction over a nonresident defendant, that defendant
8 must have at least ‘minimum contacts’ with the relevant forum such that the exercise of
9 jurisdiction ‘does not offend traditional notions of fair play and substantial justice.’”
10 *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 801 (9th Cir. 2004) (quoting
11 *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)). California’s long-arm statute
12 authorizes the exercise of jurisdiction on any basis not inconsistent with the state or federal
13 Constitution. CAL. CODE CIV. PROC. § 410.10. As such, the analysis of personal jurisdiction
14 collapses into a single inquiry under federal due process.

15 “Each defendant’s contacts with the forum State must be assessed individually.” *Calder*
16 *v. Jones*, 465 U.S. 783, 790 (1984). Plaintiff has the burden of making a prima facie showing that
17 personal jurisdiction exists as to each defendant. On a Rule 12 motion, all uncontroverted
18 well-pled allegations in the complaint are taken as true, and any factual conflicts are resolved in
19 the plaintiff’s favor. *Am. Tel. & Tel. Co. v. Compagnie Bruxelles Lambert*, 94 F.3d 586, 588
20 (9th Cir. 1996).

21 Personal jurisdiction may be either general or specific to the allegations in the complaint.
22 *See Schwarzenegger*, 374 F.3d at 801–02. Plaintiffs do not argue that general jurisdiction exists
23 over defendants; rather, they argue only that they have made a prima facie showing of specific
24 jurisdiction for each of the moving defendants. Accordingly, only specific jurisdiction need be
25 considered in this order. Specific jurisdiction exists when the suit arises out of or is related to
26 the defendant’s contacts with the forum state. *Helicopteros Nacionales de Columbia, S.A. v.*
27 *Hall*, 466 U.S. 408, 414 n.8 (1984).
28

Plaintiffs have asserted all seven of their claims against the group of individual defendants moving for dismissal based on lack of personal jurisdiction. The question of personal jurisdiction specific to the patent infringement claims must be analyzed under Federal Circuit law, but the question of personal jurisdiction specific to the other claims must be analyzed under Ninth Circuit law. *See Electronics for Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1348–49 (Fed. Cir. 2003).

The Ninth Circuit applies a three-prong test for analyzing claims of specific jurisdiction:

(1) the non-resident defendant must purposefully direct his activities or consummate some transaction with the forum or resident thereof; or perform some act by which he purposefully avails himself of the privilege of conducting activities in the form, thereby invoking the benefits and protections of its laws;

(2) the claim must be one which arises out of or relates to the defendant’s forum-related activities; and

(3) the exercise of jurisdiction must comport with fair play and substantial justice.

Lake v. Lake, 817 F.2d 1416, 1421 (9th Cir. 1987). The first prong of this test, referring to purposeful direction or purposeful availment, does not require physical presence in the forum state. *Ibid.* A showing that a defendant “purposefully directed” his or her conduct toward a form state “usually consists of evidence of the defendant’s actions outside the forum state that are directed at the forum, such as the distribution in the forum state of goods originating elsewhere.” *Schwarzenegger*, 374 F.3d at 803. Purposeful direction may be established under the “effects test” where the defendant (1) committed an intentional act, (2) expressly aimed at the forum state, (3) causing harm that the defendant knows is likely to be suffered in the forum state. *Dole Food Co. v. Watts*, 303 F.3d 1104, 1111 (9th Cir. 2002).

The Federal Circuit applies a similar three-prong test, allowing district courts to exercise specific personal jurisdiction over a defendant if “(1) the defendant purposefully directed its activities at residents of the forum, (2) the claim arises out of or relates to those activities, and (3) assertion of personal jurisdiction is reasonable and fair.” *Autogenomics, Inc. v. Oxford Gene Tech.*, 566 F.3d 1012, 1018 (Fed. Cir. 2009). The first prong of this test is limited to purposeful direction and does not include purposeful availment like its Ninth Circuit counterpart. Plaintiffs, however, have failed to carry their burden of establishing the first prong under either test for

1 specific jurisdiction. Because plaintiffs allege only purposeful direction and not purposeful
2 availment, this analysis also collapses into a single inquiry.

3 **B. Application**

4 Plaintiffs bring seven claims against these fourteen moving defendants in their individual
5 capacities. Because this order already has declined to exercise subject-matter jurisdiction over
6 the breach-of-contract and trade-secret-misappropriation claims, only the patent and copyright
7 infringement claims need be considered in the personal jurisdiction analysis.

8 Regarding patent infringement, the operative complaint alleges that the moving
9 individuals “contribute to and/or induce infringement of Richtek’s patents by designing,
10 soliciting, promoting, testing, marketing, offering for sale, or selling its Power Management
11 Products for use in products containing them including but not limited to AMD’s Radeon HD
12 graphics cards, mother boards, or related boards that infringe Richtek’s patents” (Dkt.
13 No. 79 ¶ 43). Regarding copyright infringement, the operative complaint alleges that these
14 individuals “have made unauthorized copies, prepared derivative works and distributed copies of
15 Richtek’s copyright works” that “are substantially similar to Richtek’s Copyright Works,” all
16 without Richtek’s permission (*ibid.* ¶ 78–79). No additional facts are pled in the complaint
17 regarding the specifics of these alleged infringements. The complaint is likewise silent regarding
18 how, in the course of committing these alleged infringements, defendants may have purposefully
19 availed themselves of contact with the United States. Plaintiffs’ apparent allegation that each and
20 every one of these fourteen Taiwanese individuals, in his or her personal capacity, made an offer
21 to sell an infringing product to a client in this forum is facially implausible. And plaintiffs —
22 though well-positioned to do so if possible — failed to support this allegation with adequate
23 factual pleadings.

24 In their opposition brief, plaintiffs allege that because of the customized nature of the
25 products in question, the moving defendants purposefully directed their infringing activities at the
26 United States and California: “Each of the Moving Individual Defendants had extensive
27 communications with U.S. design customers either via email, telephone or other electronic
28 communications to facilitate the qualifying and design-in procedure of uPI” (Dkt. No. 194 at 15).

1 Additionally, plaintiffs allege that several of the moving defendants “did visit customer’s
2 facilities in California and the United States for the purpose of designing and demonstrating
3 products that can be qualified by the customers” (*ibid.* at 17). Defendants, however, contend that
4 any allegedly infringing acts these individuals directed at this forum were done in the course of
5 their employment by uPI or Powerchip — not in the individual capacity in which they have been
6 sued.

7 Strong arguments have been made, both in the briefs and at the hearing, that plaintiffs
8 have failed to establish personal jurisdiction over these individuals. Given that plaintiffs are
9 already embroiled in four other actions regarding this same affair and that the individuals in
10 question were plaintiffs’ employees, plaintiffs plainly should have had enough information at
11 their disposal to make a more convincing showing. Plaintiffs instead opted to make vague and
12 conclusory allusions to intercontinental infringement that do not answer the serious factual
13 questions raised by defendants. Plaintiffs’ apparent allegation that each and every one of these
14 fourteen Taiwanese individuals, in his or her personal capacity, made an offer to sell an infringing
15 product to a client in this forum is facially implausible. And plaintiffs — though well-positioned
16 to do so if possible — failed to support this allegation with adequate factual pleadings.
17 Accordingly, this motion is **GRANTED WITH PREJUDICE** to plaintiffs filing an amended complaint
18 intended to cure these defects.

19 3. VENUE

20 Sixteen defendants — the fourteen individuals who filed the motion, plus the two
21 companies (Maxchip and Powerchip) who joined the motion — move to dismiss counts four, five,
22 and six (the claims for trade secret misappropriation and breach of contract) for improper venue
23 (Dkt. Nos. 126, 136, 160). Because this motion targets the exact same set of claims that this order
24 already dismissed for lack of subject-matter jurisdiction, the motion is **DENIED AS MOOT**.

25 4. STANDING

26 Nineteen defendants — the fourteen individuals and three companies (uPI, Sapphire, and
27 Silicon Xtal) who filed the motion, plus the two companies (Maxchip and Powerchip) who joined
28 the motion — move to dismiss all claims except trade secret misappropriation (count 4) as to


1 plaintiff Richtek USA for lack of standing (Dkt. Nos. 127, 137, 161). In a “non-opposition
2 clarification,” however, plaintiffs stated that Richtek Technology is a complaining plaintiff for all
3 seven counts in the complaint, but Richtek USA is a complaining plaintiff only for count four,
4 trade secret misappropriation (Dkt. No. 165). In light of plaintiffs’ position that Richtek USA is a
5 complaining plaintiff only for the one count not targeted by this motion to dismiss, the motion is
6 **DENIED AS MOOT.**

7 **CONCLUSION**

8 The motion to dismiss counts four, five, and six (the claims for trade secret
9 misappropriation and breach of contract) for lack of subject-matter jurisdiction is **GRANTED**. The
10 motion to dismiss all claims against James Chang, YP Huang, Jay Tu, Eric Huang, George Chou,
11 Vincent Wen, Doreen Liu, Ivy Yang, Stone Hong, Owen Hsu, Ken Wang, JC Chen, Mars Lin,
12 and Wade Chen for lack of personal jurisdiction is **GRANTED WITH PREJUDICE**. Plaintiffs may
13 not attempt to cure this defect by amending their complaint. The motion to dismiss counts four,
14 five, and six (the claims for trade secret misappropriation and breach of contract) for improper
15 venue is **DENIED AS MOOT**. The motion to dismiss counts one, two, three, five, six, and seven (all
16 claims except trade secret misappropriation) as to plaintiff Richtek USA for lack of standing is
17 **DENIED AS MOOT**. All requests for judicial notice are also **DENIED AS MOOT**.

18
19 **IT IS SO ORDERED.**

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21 Dated: January 3, 2011.

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23 _____
24 WILLIAM ALSUP
25 UNITED STATES DISTRICT JUDGE
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